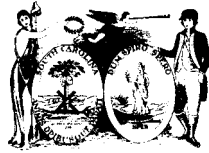


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

September 24, 2002

Mr. Paul Morris, Chief Financial Officer  
Carolina's Hospital System  
Post Office Box 100550  
Florence, South Carolina 29501

Re: AC# 3-CHP-F7 – Carolinas Hospital System Transitional Care Unit

Dear Mr. Morris:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1996 through June 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "James M. Wagner, Jr.", though the name is likely Thomas L. Wagner, Jr. as indicated by the caption.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**CAROLINAS HOSPITAL SYSTEM  
TRANSITIONAL CARE UNIT**

**FLORENCE, SOUTH CAROLINA**

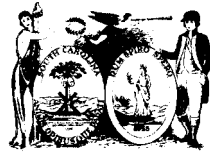
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1998  
AC# 3-CHP-F7**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 1997	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

# State of South Carolina



## Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 5, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Carolinas Hospital System Transitional Care Unit, for the contract period beginning October 1, 1998 and for the twelve month cost report period ended June 30, 1997, as set forth in the accompanying schedules. The management of Carolinas Hospital System Transitional Care Unit is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

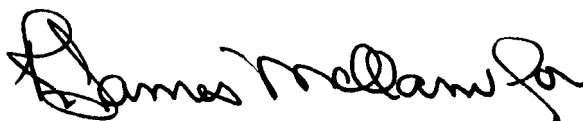
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Carolinas Hospital System Transitional Care Unit, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Carolinas Hospital System Transitional Care Unit dated as of February 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 5, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", with a stylized, cursive script.

Thomas L. Wagner, Jr., CPA  
State Auditor

**CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-CHP-F7

	10/01/98- <u>11/30/98</u>	12/01/98- <u>09/30/99</u>
Interim Reimbursement Rate (1)	\$103.28	\$104.03
Adjusted Reimbursement Rate	<u>91.80</u> (2)	<u>91.80</u> (2)
Decrease in Reimbursement Rate	\$ <u>11.48</u>	\$ <u>12.23</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

(2) As provided under Article IV, Section E of the Provider's contract dated as of February 1, 1995 as amended, "The Provider agrees that the rate charged to DH&HS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

**CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-CHP-F7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$135.74	\$54.01	
Dietary		20.11	10.41	
Laundry/Housekeeping/Maintenance		<u>17.07</u>	<u>7.86</u>	
Subtotal	\$ <u>-</u>	172.92	72.28	\$ 72.28
Administration & Medical Records	\$ <u>-</u>	<u>28.82</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		201.74	<u>\$83.41</u>	83.41
<u>Costs Not Subject to Standards:</u>				
Utilities		5.11		5.11
Special Services		-		-
Medical Supplies & Oxygen		6.64		6.64
Taxes and Insurance		.58		.58
Legal Fees		<u>.18</u>		<u>.18</u>
<b>TOTAL</b>		<u>\$214.25</u>		95.92
Inflation Factor (3.60%)				3.45
Cost of Capital				18.78
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$118.40</u>

# CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Computation of Adjusted Reimbursement Rate

For the Contract Period December 1, 1998 Through September 30, 1999  
AC# 3-CHP-F7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$135.74	\$54.01	
Dietary		20.11	10.41	
Laundry/Housekeeping/Maintenance		<u>17.07</u>	<u>7.86</u>	
Subtotal	\$ <u>-</u>	172.92	72.28	\$ 72.28
Administration & Medical Records	\$ <u>-</u>	<u>28.82</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		201.74	<u>\$83.41</u>	83.41
<u>Costs Not Subject to Standards:</u>				
Utilities		5.11		5.11
Special Services		-		-
Medical Supplies & Oxygen		6.64		6.64
Taxes and Insurance		.58		.58
Legal Fees		<u>.18</u>		<u>.18</u>
<b>TOTAL</b>		<u>\$214.25</u>		95.92
Inflation Factor (3.60%)				3.45
Cost of Capital				18.78
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				.25
CNA Add-On				<u>.75</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$119.15</u>



**CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended June 30, 1997  
AC# 3-CHP-F7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,107,214	\$ 7,406 (1)	\$ -	\$2,114,620
Dietary	304,628	8,634 (1)	-	313,262
Laundry	107,382	-	18,281 (1)	89,101
Housekeeping	66,925	-	17,379 (1)	49,546
Maintenance	86,883	40,354 (1)	-	127,237
Administration & Medical Records	415,504	33,459 (1)	-	448,963
Utilities	145,034	-	65,479 (1)	79,555
Special Services	-	-	-	-
Medical Supplies & Oxygen	-	103,368 (1)	-	103,368
Taxes and Insurance	1,415	7,582 (1)	-	8,997
Legal Fees	-	2,788 (1)	-	2,788
Cost of Capital	107,100	133,168 (1)	-	292,528
		<u>52,260 (2)</u>		
Subtotal	3,342,085	389,019	101,139	3,629,965

**CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended June 30, 1997  
AC# 3-CHP-F7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	-	-	-	-
Non-Allowable	<u>29,248</u>	<u>143,362</u> (1)	<u>52,260</u> (2)	<u>120,350</u>
Total Operating Expenses	<u>\$3,371,333</u>	<u>\$532,381</u>	<u>\$153,399</u>	<u>\$3,750,315</u>
Total Patient Days	<u>15,578</u>	<u>-</u>	<u>-</u>	<u>15,578</u>
TOTAL BEDS	<u>44</u>			

# CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Adjustment Report  
Cost Report Period Ended June 30, 1997  
AC# 3-CHP-F7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 7,406	
	Dietary	8,634	
	Maintenance	40,354	
	Administration and Medical Records	33,459	
	Medical Supplies	103,368	
	Taxes and Insurance	7,582	
	Legal	2,788	
	Cost of Capital	133,168	
	Nonallowable	143,362	
	Laundry		\$ 18,281
	Housekeeping		17,379
	Utilities		65,479
	Other Equity		378,982
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	52,260	
	Nonallowable		52,260
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$532,381</u>	<u>\$532,381</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

# CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended June 30, 1997  
AC# 3-CHP-F7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>19</u>	<u>25</u>	
Deemed Asset Value	647,311	851,725	
Improvements Since 1981	36,784	-	
Accumulated Depreciation at 6/30/97	<u>(340,120)</u>	<u>(18,339)</u>	
Deemed Depreciated Value	343,975	833,386	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	23,046	55,837	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	23,046	55,837	
Depreciation Expense	114,114	99,531	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	137,160	155,368	\$292,528
Total Patient Days (Minimum 97% Occupancy)	<u>6,727</u>	<u>8,851</u>	<u>15,578</u>
Cost of Capital Per Diem	\$ <u>20.39</u>	\$ <u>17.55</u>	\$ <u>18.78</u>

**CAROLINAS HOSPITAL SYSTEM TRANSITIONAL CARE UNIT**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended June 30, 1997  
AC# 3-CHP-F7

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$20.39</u>	<u>\$17.55</u>
Reimbursable Cost of Capital Per Diem		\$18.78
Cost of Capital Per Diem		<u>18.78</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. The FY 2002-03 Appropriation Act requires that this information on printing costs be added to the document.